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ABSTRACT

Racial and ethnic groups often come to play a specialized economic role in the societies in which they live. Race and ethnicity are in themselves of minimal importance. When these boundaries persist, it is because of economic and political reasons. Various examples of subproletariat ethnic groups from societies around the world serve to illustrate this point. The price of labor, a class issue, is one of the major contributing factors to the phenomenon of racial and ethnic specialization. Some causes of world differences in the price of labor are the national level of development, imperialism, migration, and middlemen in the labor market. The phenomenon of displacement works to undermine class struggle between capital and high priced labor. Higher priced labor can respond to displacement in one of two ways: by blocking capital's access to cheap labor, or by trying to make the labor force homogeneous by raising the price of cheap labor. While the latter is more of an equalizer of human economic conditions, the structure and dynamics of capitalist labor markets make it difficult to achieve. Racially oppressed cheap labor groups will continue to persist as long as there is a split along class lines. (Author/GC)

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Race and Class: A Split Labor Market Perspective

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Many authors have noted that ethnic and racial groups often come to play a specialized economic role in the societies in which they dwell. Such specializations have varied from the money-lending and rent-collecting role of "middleman" pariah groups like the Jews in Europe, to plantation slavery among Afro-Americans, to the role of a sub-proletariat among "gastarbeiters" in Western Europe. This phenomenon has led some authors to speak of "ethnic stratification," and others to use an analogy to the Indian caste system in which each caste has a distinctive economic function.

The purpose of this paper is to propose an explanation of this phenomenon, defining it broadly to include not only processes by which groups come to occupy the positions they do, but also processes by which they are excluded from certain positions, in some cases from the entire society. Let me state at the outset that in no way does this paper pretend to be a thorough treatment of this complex question. I only hope to sketch the bare bones of the idea I have been working with. No attempt is made to prove that it is correct. I occassionally use examples, drawn from a variety of settings (and calculated to drive historians crazy for their imprecision), in order to illustrate a point. The purpose of such illustrations is to try to make concrete an abstract principle, and to try to demonstrate the plausibility of the approach.

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I start with the assumption that ethnicity and race are in themselves of minimal importance. Language and cultural differences may, for a while, pose as a barrier between people, but are not formidable obstacles to communication and cooperation in the long run. When ethnic groups or fragments of ethnic groups reside in the same society, one would expect the boundaries between them gradually to disappear. Often they do. When they do not I assume it is not because of some innate primordial tie to the ethnicity of one's ancestors, but for solid economic and political reasons. My point is that ethnicity is not an eternal verity; it is a political construct. Preserving it in a mixed society takes an effort. When ethnicity is preserved I assume there are substantial material interests behind its preservation.

Race has even less substance. Members of a so-called race do not even share a common culture or language so that the basis for any special affinity among them is highly questionable. This applies as much to "whites" as to other races. In addition, as we all know, racial categories are notoriously imprecise with boundaries drawn in arbitrary ways, following lines of social, not biological, meaning, as epitomized by the person who has one of eight great grandparents who is African, the other seven being European, who looks "white," yet is socially "black."

Put crudely, I do not believe that people hate one another because of the color of their skin. If racial symbolism is invoked it is being used to represent some other, more fundamental reality. Even more than ethnicity, race is a political construct, and we

need to uncover the bases of its construction not in terms of itself, but in terms of its material underpinnings.

As I mentioned at the outset, ethnic and racial groups have come to play a variety of economic roles or, put another way, have come to occupy a variety of class positions. Probably the most common specialty for disprivileged groups is that of a sub-proletariat (e.g., Oppenheimer, 1974) doing the "dirty-work" or heavy, unskilled labor of the society. But there are other forms of ethnic specialty, for instance, concentration in the petite bourgeoisie, as found among "middleman minorities."

If we look at Asian emigrants around the world, while many began their residence as indentured or contract laborers (i.e., as a politically suppressed sub-proletariat), the preponderant position they now occupy is that of a middleman minority or petite bourgeoisie (e.g., van der Laan, 1975). While the sub-proletariat and petite bourgeois position of ethnic minorities do have certain features in common, they each require a separate analysis. Here I shall focus on the sub-proletariat role, with occassional forays into middleman territory.

It is my contention that the underlying reality of "racial" conflict within the working class that results in the relegation of racial minorities to dirty-work positions, to heavy unemployment, and in some cases to total exclusion, lies in the price of labor. Let me briefly lay out the whole argument in simplified form so that the reader can see how it hangs together. Then I shall elaborate on each of its points.

We start with national and regional variations in level of development, with capitalism first emerging in Western Europe.

The development of capitalism led to colonialism and imperialism which helped to retard the development of non-European territories. The difference in wealth, technology, etc. between Europe and the rest of the world became more exaggerated. Meanwhile within Europe, also as a consequence of developing capitalism, a class-conscious proletariat emerged and began to organize and engage in class warfare against their national bourgeoisies.

The underdevelopment of the rest of the world resulted in wide-scale impoverishment (as well as other processes, such as the weakening of national governments) so that workers in these countries were often put in a weak and desperate position. They could not defend themselves against the predations of foreign capital.

A rough division arose among the world's workers, with "white" (European in origin) labor generally being costly and troublesome to employ, while "non-white" or "colored" labor was more easily and thoroughly exploitable, i.e., it was "cheap." This discrepancy set in motion a pressure towards the displacement of white labor with non-white. Capital was attracted to cheaper labor, both as a means of undercutting competing capitalists, but also as a club to wield against white labor when it became too demanding.

The threat of displacement led to a reaction by white labor. In its efforts to protect itself, it has often tried to limit capital's access to "cheap labor," thereby weakening the latter's position still further. Exclusion movements, color bars, and the like have resulted from this dynamic.

Obviously white labor could have taken a different tack. Instead of trying to prevent the use of non-white cheap labor by

capital, they could have tried to organize non-white workers. On occassion such efforts have been made, and sometimes they have succeeded. But there have often been formidable obstacles to this approach which go beyond the prejudices or lack of proper consciousness among white workers.

This is the broad outline of the processes we shall be discussing. It is important to emphasize at the outset that the white labor/non-white labor division is not the only type of "split labor market" or discrepancy in the price of labor. The part of "cheap labor" has been played by women, children, prisoners, and others. Divisions of this sort have arisen within the white group and within and between various non-white groups. I have focussed on the white/non-white division because it happens to be the one around which the "race" question has most typically arisen, and because, due strictly to historical accident, it happens to be a major theme that keeps on recurring with dull regularity around the world. Let me repeat: the division is not between white and non-white, but between high-priced and cheap labor. This distinction happens to have been frequently correlated with the white/non-white distinction, hence racial terminology comes to be the symbolism in which the ensuing conflicts are expressed. In other words, the underlying issue is a class issue (price of labor), not biological differences.

I realise I have expressed this too strongly. Obviously ethnic and racial conflict and division are highly complex phenomena which cannot be reduced to a single factor like price of labor. I do not mean to suggest that this is the only thing that matters.

Rather, I am focussing upon it as a very important factor, trying to trace its logical and empirical ramifications as thoroughly as possible while setting aside other complicating factors.

The following discussion elaborates on three topics: first, the determinants of the price of labor; second, the threat and reality of displacement; and third, reactions by high-priced labor to the threat of displacement.

The Price of Labor

I would like to start by presenting an illustration from a study I am working on now regarding the international split labor market between the U.S. and South Korea. In this case the discrepancy in price of labor is not strictly "racial" since the U.S. is obviously racially heterogeneous. But the principle is the same, and when Koreans enter the U.S. labor market they face the possibility of racial labelling.

Table 1 shows the difference in monthly wages between workers in the U.S. and the Republic of Korea (ROK) in recent years. As can be seen, Koreans earn one-tenth or less of what American workers earn. Table 2 compares ROK with other countries in terms of average hours worked per week. Korean employees tend to work close to a 50 hour week, while U.S. workers average less than 40. Finally, Table 3 compares the U.S. and ROK on industrial unrest, an indicator of labor militance. The U.S. has a labor force of 93 million while ROK has 12 million (12.9 percent as large), but the ratio of Korean to U.S. labor disputes does not approach 12.9 percent. Even in the high year for number of disputes, 1974, the ratio was

Table 1. Monthly Wages in Non-Agricultural Sector, U.S. and Korea, 1969-1974, in $US.

	U.S.*	Korea**	Ratio
1969	535	38	.07
1970	567	55	.10
1971	605	56	.09
1972	646	58	.09
1973	690	68	.10
1974	743	56	.08

Source: Yearbook of Labor Statistics, 1975:599,600.

*U.S. data are converted from hourly wages, using the standard 176 hours per month.

**Korean data are converted from won to $US using annual exchange rates, p. 811.

Table 2. Hours Worked per Week in Non-Agricultural Sector, 1974, in Countries for which Data are Available.*

		Rank
Africa		
Mali	44.6	7
Sierra Leone	47.9	3
America		
Peru	48.6	2
Puerto Rico	36.8	17
U.S.	36.6	18
Venezuela	42.9	12
Asia		
Cyprus	43.0	11
Israel	37.6	15.5
Japan	40.5	14
KOREA	49.7	1
Philippines	44.8	6
Singapore	47.5	4
Europe		
Spain	43.7	8.5
France	43.7	8.5
Germany	41.9	13
Gibraltar	47.4	5
Luxemburg	43.6	10
Oceana		
New Zealand	37.6	15.5

Source: Yearbook of Labour Statistics, 1975:489-490.

*These data are subject to numerous qualifications and are therefore not wholly reliable.

Table 3. Industrial Disputes in U.S. and Korea, 1965-1974.

	Number of Disputes		Number of Workers Involved		Working Days Lost	
	U.S.	Korea	U.S.	Korea	U.S.	Korea
1965	3,963	12	1,550,000	3,853	23,300,000	18,827
1966	4,405	12	1,960,000	30,690	25,400,000	40,592
1967	4,595	18	2,870,000	2,787	42,100,000	10,004
1968	5,045	16	2,650,000	18,437	49,000,000	62,945
1969	5,700	7	2,481,000	30,499	42,869,000	163,353
1970	5,716	4	3,305,200	541	66,413,800	9,013
1971	5,138	10	3,279,600	832	47,589,100	11,323
1972	5,010	0	1,713,600	0	27,066,400	0
1973	5,353	0	2,251,000	0	27,948,400	0
1974	6,074	58	2,778,100	22,609	48,044,600	16,831

Source: Yearbook of Labour Statistics, 1975:800, 801.

only 0.95 percent, while the largest number of workdays lost, in 1969, only reaches 0.38 percent of the U.S. figure.

Insert Tables 1, 2, and 3 here

These differences cannot be accounted for by differences in degree of skill or productivity of the workers. ROK has a fairly well-developed educational system, and workers are literate and able to learn industrial jobs. They have been described as "cheap skilled labor" (Balassa, 1971:73). One finds similar discrepancies in the price of labor within nation-states, for instance, in South Africa, African wages are one-tenth to one-fifteenth the level of white wages, a difference which again cannot be explained by differences in labor productivity.

How are we to account for these differences? The causes can be divided into four broad topics: national level of development, imperialism, migration, and middlemen. Let us briefly look at each of these in turn (recognizing that the treatment must be very general, ignoring historical specifics):

1. National Level of Development. Countries obviously differ tremendously in their level of economic development. Focussing only on differences in the level of development of capitalism, we find generally that the more advanced a country is economically, the higher-priced will be its indigenous labor force.

This occurs for several reasons. First, as capitalism develops it unlooses tremendous productive forces which in turn spew out commodities in great number. People who live in advanced capitalist

societies develop a "demand" for such commodities and come to define life as intolerable without a minimal set. In other words, capitalism raises the level of living and expectations regarding an acceptable level of living.

Second, the development of capitalism is associated with the emergence of a bourgeois nation-state, which has the political clout to be able to act on behalf of its nationals. This can make a difference in the legal situation of its emigrant workers, improving their bargaining power.

Third, the more advanced is capitalism, the more likely are workers to have become a permanent proletariat and to have given up hopes of becoming independent owners of their own firms. They come to develop a class consciousness as workers and form workers' organizations to further their joint interests. Experience with labor organizing increases the bargaining power of workers and they develop a rising set of demands for concessions from capital.

Thus the difference in wages and length of the work day between the U.S. and ROK is at least in part attributable to the long history of labor movement activity in this country.

2. Imperialism. The development of capitalism in Western Europe (and later in the U.S.) led to imperialism and "white" domination of almost the entire world. This process undermined the indigenous bourgeoisie of colonized nations and retarded their development, or led to their "underdevelopment."

Imperialism contributed to the impoverishment of many Third World nations. Peasants were pushed off the land but could not be absorbed in urban industry. A huge labor reserve of desperately

poor displaced peasants was created. Needless to say, the processes by which this occurred varied over time and place.

While the development of capitalism in Europe also displaced her peasantry, at least in some cases (notably Britain) they had the alternative of moving to the colonies, thereby temporarily escaping the ravages of capitalist development. This class of colonial "white settlers" is of considerable significance in the development of racism (e.g., Huttenback, 1976). To the capitalist class, this element was virtually unemployable (especially during the period when colonial territories were being opened up and there was an abundance of land) unless they could be bound as prisoners or indentured workers. For those who were unbound, the cost of enticing them off their farms and into wage labor was prohibitive.

3. Migration. Western imperialism led to massive population movements. Labor for the new colonies was imported by force (as in African slavery), under semi-coerced arrangements (as in the Indian indenture system), or was encouraged to move "freely."

Migration itself contributes to the weakness of workers in several ways. First, the capitalist class in the labor importing country can control the terms on which workers are brought in, by limiting their citizenship rights, their length of residence, their right to bring families, and so on. In other words, special disabilities can be imposed on immigrants which capital could not get away with imposing on its own nationals.

Second, new immigrants face a myriad of adjustment problems such as language barriers, familiarity with the way things work, and

so on, which make it easier for them to be taken advantage of. Note these disabilities apply as much to internal migration of colonized people moving to European centers as to inter-state movements.

Third, immigrant workers are sometimes sojourners, i.e., they sometimes have a tie to a homeland to which they plan to return. Sojourning is associated with level of economic development. People moving from pre-capitalist societies often retain a tie to their village, hoping to earn enough in the capitalist economy to purchase some valued items and/or to return with enough money to improve their condition in the village community. In some cases they are forced, by head taxes and the like, to enter wage labor for a time, and eagerly retreat from it when they have earned the needed cash. The lack of security provided by early capitalist development encourages migrant labor or sojourning. According to Wilson (1972:148):

> Men know that if they are sick, they will be cared for; if they are unemployed they will be fed; if they are old a roof will be provided for them by their relatives and friends in the community from whence they came. But such security will only be available to people who maintain links with, and remain members of, the village society. And this can only be done by sending back money from town in times of need at home, and by returning home regularly. By doing this men ensure that they have got a place where they can return and die in peace.

The phenomenon of migrant labor or sojourning tends to lower the price of labor for a number of reasons. Migrant workers often leave their families behind in the village, freeing employers from having to pay for the maintenance and reproduction of the family (Burawoy, 1976). Another price-lowering feature of sojourners is that, since they do not have a long-term commitment to the job or labor market of their sojourn, they have less incentive to join labor unions to improve work conditions, or to engage in lengthy strikes geared mainly to benefit future generations. In addition, the constant turnover of personnel makes labor organizing an awesome problem. And given a tie to another, pre-capitalist economy, workers have the option of dealing with dissatisfactions by withdrawing rather than staying to fight it out.

Undoubtedly capital sometimes plays a part in maintaining the temporary status of immigrant workers, perhaps because they realise the consequences in terms of price of labor discussed above. Still, as capitalism develops, problems of constant personnel turnover may outweigh these benefits, especially if the stable labor force is very costly. Thus one finds instances of capital pushing for the stabilization of sojourning workers. I believe evidence for this tendency can be found in South Africa, where capital has fought to break down the migrant labor system of oscillation between African reserves and the cities, in order to be able to make fuller use of African cheap labor (Bonacich, 1977).

4. Middlemen. Middlemen often play an important role in keeping the price of labor of their "clients" or "employees" down. Middlemen intercede between capital and labor, sometimes

in the form of directly selling labor to capital (as in labor contracting), or by sub-contracting to get a certain job done while directly controlling the labor force themselves (as in garment industry sweatshops). The "cheapening" effect of middlemen lies in their ability to control "their" workers, sometimes through coercion and sometimes by the use of paternalistic ties based on ethnic or national loyalties.

In the case of the international split labor market between South Korea and the U.S., the "middleman" role is of considerable importance. In this case it is played by the Korean government. Not only does the government help to keep Korean labor suppressed (for the benefit of foreign investors), but it also makes a plea to the workers that it is in the national interest that they stifle demands for improved conditions, at least in the short run, since ROK's edge in the world market depends upon the cheapness of her labor.

This process is similar to the role of the garment industry sub-contractor who can plead with workers not to join labor unions or make demands for higher wages and shorter hours on the grounds that the business would lose its competitive advantage and be forced to fold (Dygert and Shibata, 1975). The plea is often reinforced by family, regional, and ethnic ties, making it very difficult for labor organizers to reach such workers. For instance, imagine trying to organize unpaid family restaurant workers.

Middlemen are found among some groups more than others. As a petite bourgeois class they tend to be found among groups which have not been thoroughly proletarianized. In other words, they

represent a certain stage of economic development. Korean immigrants in the U.S. today, for instance, tend rather quickly to move into middleman positions, running shops which rely on "cheap labor" from within the ethnic group (Bonacich, Light, and Wong, 1976).

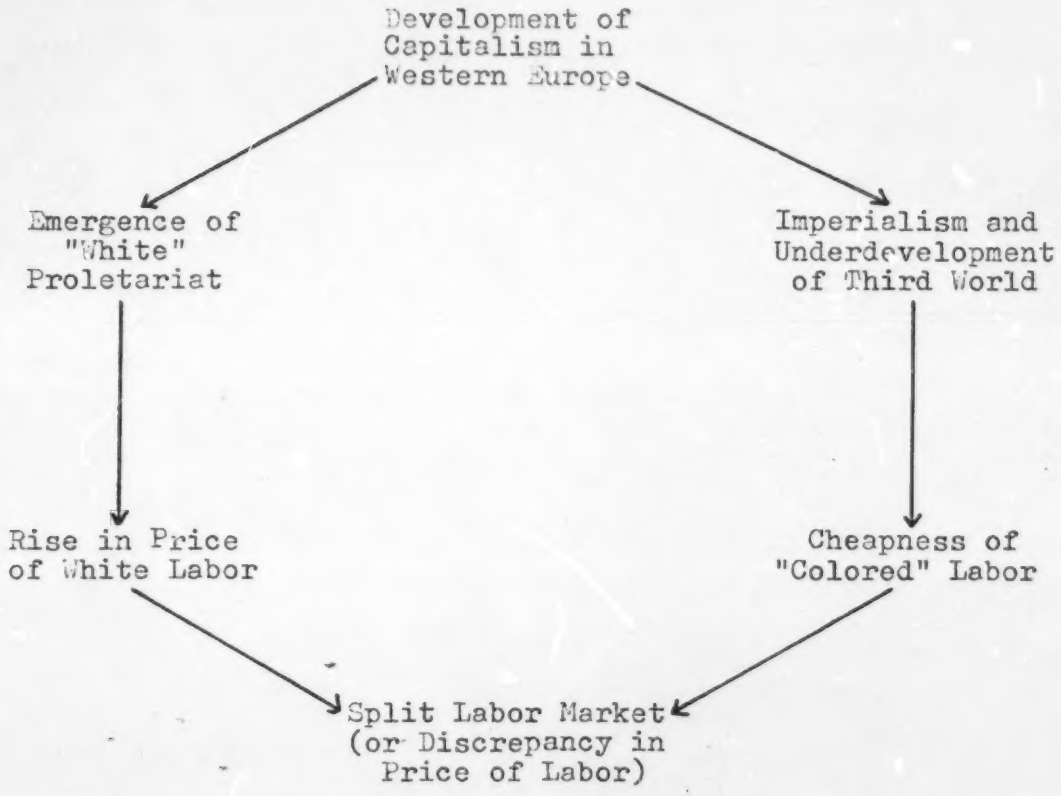
Figure 1 presents the general development of the white/non-white division in price of labor. The confrontation between differently priced labor groups can arise in several settings. It can arise as a result of migration both to the European colonies (as in the slave trade, importation of indectured workers, etc.) and to the metropolitan countries (e.g., West and East Indians in Britain, gastarbeiters in Western Europe). It can arise within a colonial territory as indigenous peoples are gradually absorbed into the capitalist sector. And it can arise on the level of international markets.

Insert Figure 1 about here

Displacement

Given a discrepancy in the price of labor between two groups of workers, and all other things being equal, capital will naturally gravitate to the cheaper group since "cheap labor" permits a higher rate of exploitation and therefore higher profits. While the process of displacement of higher priced with cheaper labor may occur for economic reasons alone, it has important political consequences, namely, it undermines the class struggle between capital and (high priced) labor. For any effort that labor makes

Figure 1. Broad evolution of "racial" split labor market.


Development of Capitalism in Western Europe
Emergence of "White" Proletariat
Imperialism and Underdevelopment of Third World
Rise in Price of White Labor
Cheapness of "Colored" Labor
Split Labor Market (or Discrepancy in Price of Labor)

to improve its condition also raises its price and therefore increases the relative desirability of cheap labor groups. The threat of displacement acts as a damper on the class struggle, a fact capital makes use of to keep labor subdued.

Many authors have pointed out that even though "cheap labor" has been introduced into a society, displacement rarely occurs. One common pattern is for cheap labor to be concentrated in certain industries or jobs, which high priced labor has deserted for more lucrative or pleasant positions. The two groups never openly compete for the same jobs. Instead (it is argued) the newest entrants to the labor market help push up more established groups by taking over the dirty-work jobs. Ethnic specializations are thus explained by time of entry into the labor market rather than by any competition between groups. If fear of displacement is raised, it reflects political manipulation by capital which wants to distract workers from real issues and uses immigrants as scapegoats.

While it is true that direct displacement (or the firing of one group of workers and hiring of another) rarely occurs, this should not be taken as an indication that the threat is not real. For one thing, as soon as the threat becomes manifest, high priced labor acts to prevent it, a topic we shall consider in the next section. For another, the displacement process takes other, more complex forms than simple substitution. I have identified seven such forms (including simple displacement), and there may be others. Let us briefly review the seven:

1. Direct displacement of proletariat. The simplest form of displacement is the substitution of one group of wage earners for another, where both groups are performing the same task but one can be paid less. For example, Millis (1915:155) describes a basket factory in Florin, California which laid off its white (female) labor in favor of cheaper Japanese immigrant workers.

Perhaps the most blatant form of direct displacement is the use of strike breakers. Here the dynamics of the situation are brought clearly to the surface. One group of high-priced, troublesome workers, who are struggling against capital, find their struggle undermined by the introduction of another group of workers who are not part of that struggle and who are "willing" (probably because of the absence of alternatives) to accept conditions which the former group has defined as unacceptable.

2. Job dilution. Less direct as a form of displacement is the changing of the nature of the job, followed by the substitution of high priced with cheaper labor. This process has occurred when crafts have been "rationalized," or broken down into simpler component activities (Braverman, 1974). The craftsmen can then be fired and semi-skilled or unskilled workers employed to take their place.

Crafts workers represent a transitional stage between feudalism and capitalism. They still maintain some control over the production process, often owning their own tools. When they fight against the breakdown and rationalization of their craft, they are fighting against the inevitable advance of capitalism which, by dividing the work more finely, increases efficiency and lays the groundwork for mechanization.

Needless to say, the displacement of crafts workers with semi-skilled industrial workers doing parts of the original craft need have nothing to do with racial or ethnic minorities. Rationalization in itself reduces labor costs, ragardless of the workers' backgrounds, because it deprives crafts workers of their main source of bargaining power: their control over esoteric knowledge. Still, this kind of displacement sometimes does entail the use of cheap labor groups, as in South Africa, where job rationalization on the mines was accompanied by the laying off of white (skilled) labor and hiring of Africa (unskilled) labor at a fraction of the cost (Horrell, 1961:2).

3. Displacement of petite bourgeoisie. Another form of displacement is that which occurs when independent producers face competition from large-scale employers of cheap labor. This is a classic process which occurs during the early stages of capitalist concentration. The capitalist form of operation is far more efficient than individual producers. Production is socialized by the division of labor, which greatly increases the output of each individual (even if his or her humanity is distorted as a consequence). The control exercised by managers also increases productivity since people are compelled to work harder for longer hours than they would of their own accord.

Once the process of capitalist concentration has begun, the small operators (petite bourgeoisie or subsistence producers) are driven out or into marginal areas. If they are farmers, for example, capitalistic-oriented enterprises drive up the price of land to the point where they can no longer afford to remain on it.

Again there is no inherent reason why ethnicity or race should be associated with this process, but historically it sometimes has been. In particular, the "white settlers" in countries like Australia, South Africa, and the U.S., who escaped from Europe in the face of this kind of displacement, found themselves faced with it again in the colonies when owners of capital tried to import or make use of indigenous cheap ("colored") labor. These settlers tend to have followed the frontier as they have been displaced from one territory after another. They became the "voortrekkers" of South Africa and the homesteaders of the U.S. west. California provides a good illustration of the battle between these small farmers and agribusiness, which had access to large numbers of cheap immigrant workers, mainly of Asian and Mexican origin (McWilliams, 1971).

4. Maintenance of depressed pockets. A frequent pattern of split labor market is to have job or sector segregation, i.e., one group of workers is employed in one sector of the economy at high levels of pay and another group (of ethnically distinct workers) is employed in another sector at low wages. I am not speaking here of small variations in pay scale, but of gross disjunctures, as recognized by "dual labor market theory" (e.g., Gordon, 1972). The garment industry and California agriculture are illustrations of such depressed pockets.

Immigrant workers are often immediately located in depressed sectors. This has been as true of gastarbeiters in Western Europe (Castles and Kosack, 1973) as of Mexican farmworkers and Chinese railroad builders. Typically it is argued that local labor "will

not do the work," or that there is a labor shortage in these less desirable lines. Thus no displacement can be said to have taken place since high priced local labor would not do the work anyway.

It is my contention that the maintenance of depressed pockets is indeed a form of displacement, albeit not a direct one. Local workers "will not do the work" in these depressed sectors, not because they are opposed to working, but because the conditions and pay are degraded. If the employers were to improve the job and pay they would undoubtedly be attracted to these jobs. But as long as employers have access to cheap labor they have no incentive to upgrade the job. The introduction of machinery, a major form of upgrading, becomes necessary only when labor becomes costly. If labor is cheap, why bother with expensive machines? California agriculture is a case in point. So long as cheap labor has been available there has been little incentive to mechanize. With the advent of strong, militant unionism in the fields it probably will not be long before they are fully mechanized and the number of employed workers drastically reduced. However those jobs which remain will probably pay much higher wages. Meanwhile, by relying on cheap labor these jobs are kept unavailable to high priced labor and thus constitute a form of displacement.

Various institutions support the ability of high priced labor to refuse to do these undesirable, low-paying jobs, notably "welfare" which gives people an option other than doing the work or starving. In the U.S., this legal advantage is available to blacks as well as whites, but not to illegal aliens. Thus one is more

likely to find blacks also "refusing to do the work" in the dirty-work sector, while some classes of immigrants, because of their precarious legal status, or the excessive poverty of their immediate past, find these jobs more desirable or at least are willing to fill them.

5. Displacement by "cheap" petite bourgeoisie. Another less direct form of displacement is produced by small, efficiently-run businesses. It is usually assumed that larger, more "modern" firms, based strictly on capitalistic relations of production (i.e., the "free" buying and selling of wage labor) are supremely efficient and tend to drive out other, pre-capitalist forms. While generally true, there are important exceptions to this rule. In particular, "middleman minorities" (Bonacich, 1973), of which overseas Asians provide many prominent examples, are sometimes able to use pre-capitalist ties within a capitalist setting to operate businesses more cheaply than their competitors.

Middleman minority communities are able to distribute many business-related resources cheaply, including capital, credit, information, training, patronage, and so on (Light, 1972). Of most importance is their ability to keep labor costs down. Table 4 shows the difference in labor costs between laundries of different ethnicities in San Francisco in 1909, revealing that Japanese laundries paid less for more hours of work than did "white"-owned laundries.

Insert Table 4 about here

Table 4. Comparison of labor conditions in White, French, and Japanese Laundries in San Francisco, 1909.

	White	French	Japanese
Hours worked per week	49	50-63	60-72
Average wage, with board and lodging, per month	-	$37.69	$28.90*
Average wage, without board and lodging, per month	$69.74	$48.56	-

Source: Millis, 1915:65-6.

*Estimated cost of room and board for Japanese owners was $8 to $10 per month.

We already discussed the role of middlemen in utilizing ethnic loyalty to reduce labor militance. Apart from keeping wage labor costs down, the owner and his family can be seen, in a sense, as "cheap labor" themselves, especially when the shop has ties to big capital, as in the case of franchising or sub-contracting.

Middleman minority businesses can pose a threat of displacement to organized labor in that, given the cheapness of labor (and other resources) on which they operate, they threaten to drive out competing establishments unless wages and work conditions are reduced to middleman levels. If workers in the advanced capitalist sector form unions and demand pay increases or shorter hours, capital can argue that the business will be forced to fold. Competition from middleman minority small business can be used as a threat to keep high priced labor in line.

Conflicts like this have been of central significance for Asian American communities. For instance, in the produce industry before World War II "white" workers believed themselves to be threatened by Japanese American produce markets (Modell, 1969). Perhaps the most important arena of conflict of this sort for the Japanese American community was in agriculture, where "white" farmers, especially of the settler variety, felt they could not compete against the cheaply-run Japanese family farm. A similar problem is still found in the garment industry.

6. Displacement by cheap imports. Displacement need not be confined to a single nation-state. One method is by the production of "cheap" products in countries where labor is cheap, and the

importation of such products into high-priced labor countries. Today such products as shoes, garments, TV sets, mini-calculators, and even automobiles and steel, are being produced in the "cheap labor" countries of Asia (e.g., Hong Kong, Taiwan, South Korea, Singapore) and other continents and imported to the U.S. In the U.S. markets these products can be sold for less than it costs to produce them here. Consequently many high-priced local workers are thrown out of work.

This form of displacement typically involves some collusion between the capitalist classes of both exporting and importing countries in that both bourgeoisies stand to gain from the arrangement. Exporters acquire a market for their products, while importers (including firms that sub-contract part of the production process overseas) are able to undercut the local market and simultaneously earn excessive profits.

A key feature of this type of displacement is that capital in the importing country is not directly involved in the production process. This is left in the hands of capital in the exporting country. Like middlemen, this class can be used to keep labor in the exporting country suppressed, much like the owner of a garment industry sweatshop.

7. Displacement by runaway shop. Probably the most important form of modern displacement is the movement overseas of capital from nations where labor is costly to nations (especially of the Third World) where labor is cheap. While in early colonial days European capital was invested in the colonies to a certain extent, the degree of such investment has expanded dramatically in recent

years and is moving into new fields, notably manufacturing (Turner, 1973:175-209).

Unlike the previous type of displacement, capital from countries like the U.S. is here actively involved in the production process. Again collusion with the "colonized" ruling class is present since multinational investors usually need to gain the cooperation of the governments of the workers they exploit. Indeed these governments are often in fierce competition with one another to attract foreign capital, and actively engage in the suppression of their own workers in order to be able to make the most attractive offer in terms of cheapness and docility of labor. The ROK demonstrates this process rather unambiguously.

Multinationals in cheap labor countries need not gear their production towards exporting to their own home country, in which case, while jobs are lost by home country workers, at least they do not simultaneously face the competition of imports produced overseas by their own national bourgeoisie. Increasingly, however, U.S. (and other) multinational corporations are producing overseas for their own home market. The border region of Mexico, for instance, is a special zone created by the Mexican government and U.S. corporations so that the latter can cheaply assemble products for the U.S. market (Ericson, 1970). Similarly, Hong Kong, Singapore, etc. are increasingly participating in this type of runaway shop. The implications for high-priced U.S. labor are devastating. They must compete with labor which is often one-tenth as costly to employ, and is kept under tight rein by severely repressive regimes propped up by the U.S. capitalist class.

In sum, displacement of high priced with cheap labor can occur in a variety of ways. The basic principle, regardless of differences in detail, is that capital shifts from one labor source to another, in the process undermining whatever gains high-priced labor has made. Thus immigration and the runaway shop are essentially opposite sides of the same coin, and should be so analyzed. The particular form displacement takes undoubtedly corresponds to stages of capitalist development, and also to the dialectic of class struggle. Thus, as high priced labor achieves a resolution to this problem, capital devises a new way to reach and exploit the world's cheap labor. For instance, the runaway shop and importing of manufactured goods (representing the most modern forms of displacement) can be seen, in part, as responses to the fact that labor has managed to set up substantial barriers against full utilization of cheap labor on U.S. soil. (For an analysis of this dialectic in another context, see Bonacich, 1976).

Reactions to Displacement

The availability of cheap labor poses a major problem for high priced labor in that, as we have said, their class struggle can be undermined. High priced labor has two basic ways it can deal with this problem. They can either try to block capital's access to cheap labor, thereby preventing displacement by political means. Or they can try to raise the price of cheap labor so that the labor force is more or less homogeneous, in which case capital can no longer play off one element against the other. Let us look at each of these more closely.

Blocking access to cheap labor. Efforts to prevent access to cheap labor have taken a variety of forms depending on the locus of cheap labor, the type of displacement, the political power of high-priced labor, and so on. Among the more common approaches are exclusion movements and the creation of racial "caste" systems. More recently, with the rise of manufactured imports from the Third World and the runaway shop, one finds a rise in "protectionism" against these processes.

1. Exclusion movements. The simplest approach to dealing with capital's desire to make use of cheap labor, especially when that labor is overseas and would have to be imported, is to prevent importation by setting up immigration controls. This approach was used in the U.S. not only against Asian immigrants (the most patent case), but also against Eastern European immigrants in 1924. The "white Australia" policy is a clear instance of a successful exclusion movement in a territory where "white labor" was powerful enough to pull it off. (Note: anyone who tries to explain exclusion by the desire of capital to keep immigrants as migrant workers has to be able to explain this case).

In some instances, exclusion can occur within a society rather than at its borders. For instance, in the U.S. before and after the Civil War, free blacks were excluded from several northern and western states (Berwanger, 1967; Litwack, 1961). Perhaps the most elaborate case of internal exclusion is the Apartheid system in South Africa. There an attempt has been made to reconstruct "Bantu homelands" in an effort, I believe (Bonacich, 1977), to keep African cheap labor out of the "white" labor market.

Exclusion movements have occurred, not only against wage laborers, but also against other forms of displacement. The movement to exclude the Japanese from California, especially after the Gentlemen's Agreement, was mainly directed against the Japanese petite bourgeoisie, in particular, farmers.

That exclusion efforts are a product of class struggle between capital and high priced labor is illustrated by the ludicrous slogan of white strikers during the Rand Revolt in South Africa in 1922: "Workers of the world unite and fight for a white South Africa" (Roux, 1964:148). The strikers saw cheap African labor as a tool capital was using against them. "White South Africa" meant a country in which a certain standard of living and the dignity of labor could be maintained. It was not so much a statement about race as about class relations, but race was a useful short-hand for the underlying class reality: capital could employ African labor at one-tenth the price.

2. <u>"Caste" systems</u>. Another protectionist approach to the problem is for high priced labor to draw a line around a set of jobs which it occupies and controls, seeking to prevent displacement at least in those lines of work even if others are forfeited. When "race" marks the line of price differential, the protective line becomes a "color bar."

I believe that racial divisions of labor are a product, at least in part, of this process. "White" labor unions deny access to "non-whites" to their fields of endeavor, fearing that the "non-whites" will be more controlled by capital and will drive down the price of labor in those fields. This was the kind of

fear that motivated white miners in South Africa to press for the barring of Africans from certain mining jobs, or more precisely, to press for the barring of employers from using African labor for certain jobs.

While racial divisions of labor may begin with discrepancies in training, so that it is no mystery, for instance, that black migrants to northern cities in the U.S. after World War I entered unskilled jobs, it is the perpetuation of such a division that needs to be explained. Obviously these workers could have been trained for better jobs in a few short years. That they did not "move up" can be explained, in part, by white worker resistance. Similarly in California Chinese and Japanese immigrant workers were kept or pushed out of skilled labor positions or jobs in manufacturing, and confined to depressed sectors of the economy. Out of such processes do "dual labor markets" arise.

3. International protectionism. Right now we are in the throes of a new kind of protection against access to cheap labor, namely the rise in agitation against imports from "cheap labor" countries, the demand for import quotas, campaigns urging "Buy American" and so forth. U.S. workers feel threatened with displacement by overseas labor, not only as it is employed by foreign capital, but also as it is employed by U.S. capital abroad. Thus efforts are being made to erect barriers against the runaway shop, for example, by calling for the repeal of Tariff Items 806.30 and 807.00 which allow overseas assembly virtually duty-free.

Note that, in this case, the conflict is not phrased in racial terms since the U.S. working class, and even its highest

priced segments, are no longer "white." Indeed the sector of the workforce most threatened by cheap labor-based imports tends to have an overrepresentation of minorities (and one might add, women). For instance, the garment industry, which has among the lowest paid workers in the country, many of whom are Mexican and Asian immigrants, is tremendously threatened by the rapid growth in imports from countries like South Korea. Instead of "white," the protectionist slogan switches to "American." But the dynamics and interests remain essentially unchanged. On the other side of the equation, since most of the displacement threat from cheap imports and the runaway shop is associated with Third World countries, the potential for the conflict to be waged in the language of "racism" against workers in these countries is still alive.

In all three types of efforts to block capital's access to cheap labor, high priced labor faces a paradox, namely that, in preventing their own displacement in the short run, they also retard the economic development of cheap labor groups, thus helping to keep alive the split labor market. This consequence is evident whether the workers are kept in depressed occupations within the society, are prohibited from entering, or have their "national" exports denied. In other words, if capital were granted full access to cheap labor, it would develop the means of production more quickly, and the conditions for a rise in the price of labor (through the development of class consciousness, labor organizations, and so on) would be set. I realise this is a controversial point, and suggest it more as an hypothesis than an assertion. Still, there are those who would agree (e.g., Emmanuel, 1972; Kay, 1975), as would (I believe) Marx himself.

Equalizing the price of labor. Instead of trying to prevent displacement by restricting capital's access to cheap labor, high priced labor can focus its efforts on raising the price of cheap labor groups. This can be done in several ways. One approach is to pressure the government to establish and enforce minimum standards for all workers, e.g., minimum wages, maximum hours, the right to form unions, and so on. A second approach is to attempt directly to organize the workers in question and bring them into the unions and political parties of the high priced group. A third approach is to help support the liberation movements of oppressed peoples who are being used as cheap labor, in the process helping them to withstand the predations of high priced labor's own national bourgeoisie.

Equalizing the price of labor seems like a far more desirable approach to the problem, since it eliminates the split labor market and does away with the threat of displacement. One would expect, therefore, that it would be the predominant mode of dealing with the problem. While we do find occassional efforts in this direction (e.g., Worthman, 1970) the fact is that it is not the predominant reaction. Blocking access to cheap labor is far more common, and still occurs today as shown in the new wave of protectionism against cheap labor imports.

The failure of high priced labor to emphasize equalizing strategies seems to me to be one of the major political dilemmas of modern times. Because of it the working class remains divided and an easy target for capital's "divide and rule" efforts. How then can we account for this failure?

There are several possible explanations. One is that it is a problem of consciousness. "White" or other high priced workers do not realise that their true interests lie in joining with the super-exploited. Capital's control over the mass media makes it difficult for workers to develop such a consciousness. A second explanation is that high priced workers have been bought off and corrupted. Some of the super-profits extracted from cheap labor are passed on to them, leading them to feel fairly contented, absorbed with their material possessions, and therefore unwilling to challenge the system that provides them with these goods. In addition, capital has systematically weeded out of working class leadership those people who promoted equalization, leaving behind a corrupt set of union bosses who collaborate with capital in keeping the sub-proletariat suppressed.

While there is undoubtedly some truth to these interpretations, I believe they over-emphasize ideological and political factors and downplay underlying material conditions. As I see it, a major obstacle lies in the difficulty of attaining the equalizing solution under many circumstances. Consider, for instance, the international difference in price of labor between South Korean and U.S. workers. Assuming that U.S. labor were committed to an equalizing approach, they could try to achieve the following: help workers in ROK to organize labor unions, help to overthrow the Park regime which keeps Korean workers suppressed, try to organize an international forum in which minimum labor standards would be set around the world, and so on. The approaches have a "pie in the sky" quality for the average U.S. worker. They are exceedingly

difficult to achieve, and in any case their attainment lies in the remote future. They do not help the U.S. worker faced with being laid off NOW. If he cannot even hold onto his own job, how can he possibly be in position to organize the world's working class?

Even within a nation-state efforts to equalize the price of labor often face formidable problems, especially when the price discrepancy is very large. The difficulty of organizing illegal aliens is a case in point. Part of the problem is that cheap labor is typically under the severe domination of capital (or middlemen), making it exceedingly difficult to gain access to these workers. The domination may be psychological, or legal, or even physical, as in the use of high-walled compounds to house African labor in the South African mines.

My point is that the failure of equalizing strategies by high priced labor is not only a product of their own failings (though these may be considerable), but also of the structure and dynamics of split labor markets which make equalizing solutions difficult to achieve. Protectionism of various sorts is far more simple and direct, providing immediate relief. It is primarily for this reason that it predominates.

This is not a happy ending. When high priced labor resorts to protectionism, the split labor market continues. The "cheapness" of cheap labor groups, a feature which is obviously not inherent in any group of people but only a product of circumstances, is perpetuated and even increased, as opportunities

for advancement are denied. The perpetuation of a cheap labor segment means that the threat of displacement remains. The cycle continues. Meanwhile, "cheap labor" groups find themselves betrayed by the more advanced sectors of the working class, which often drives them into the hands of capital or middlemen who are all too eager to take advantage of the situation. The possibility of absorbing them into the working class movement (if and when high priced labor realises this is the only long-term alternative) is reduced. The proletariat becomes bitterly divided into hostile camps, ensuring the continued domination of the capitalist class. It is not a pretty picture, but it seems to me that is what has happened. How we move out of this box is another matter. I do not have any easy solutions to propose, but believe that we need to face the reality squarely if we are to deal with it effectively.

Conclusion

I have tried to show that the "race" question is really a class question in that racially oppressed groups typcially mark "cheap labor." I do not mean to suggest that this is the only issue involved in "racial" oppression, but that it is an important one. I would like to reemphasize that "race" is not the only line along which a division in the working class, based on price of labor differences, is drawn. Gender and nationality mark other important instances. The dynamic is a class dynamic. Race, sex, and nationality become the symbolism in which the conflict is expressed, but they are not in themselves its cause. Nor is it inevitable that race, gender, etc. should mark a price of labor

distinction. When there is no split in the labor market along these lines, I would predict a decline in racism, sexism, etc. and the emergence of a united proletariat. "Race" is important only so long as it is rooted in class processes.

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